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See

NA-CHURS *International*

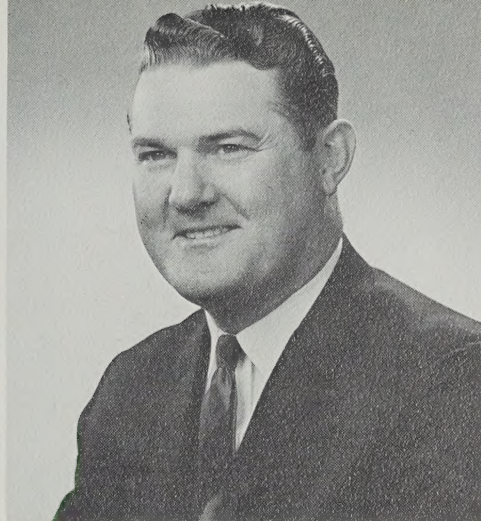
ANNUAL REPORT 1968-1969



Report to



Shareholders



In the fiscal year ended September 30, 1969, sales of our operating subsidiaries increased \$437,536, or 5.5% over the comparable 1968 period. Net Profit increased \$361,635, or 3.5%. Per share net profits were 69.9 cents compared to 67.5 cents.

The most significant improvement in our operating results was a 13.5% increase in our pre-tax profit. However, the impact of the 10% tax surcharge on the earnings of our U.S. subsidiaries was considerable, and thus, our highly satisfactory 13.5% increase in pre-tax profit was reduced to a gain of only 3.5% after taxes. In 1968 the effective tax surcharge on these companies was 5%.

During the year \$322,570 was spent to bring bulk storage and farm storage to 7,250,000 gallons, an increase of 2,154,000 gallons. This increased storage is important to us in enabling us to effect faster deliveries to customers.

We also added 100,000 gallons of Phosphoric Acid storage capacity in both Marion, Ohio and London, Ontario, and new reactor tanks in Marion. These additions increase our productivity at both plants.

Since September 30, 1969 our trade receivables have dropped from \$3,724,852 to \$1,764,229 as of January 21, 1970.

The regular dividend of 60 cents per share was declared payable to the stockholders of Class A, 6 percent Cumulative Preference shares at the close of business on September 30, 1969.

We would like to express our appreciation and thanks to all our employees throughout the Company who have contributed to making 1969 a successful year.

On behalf of the Board of Directors,

A handwritten signature in green ink that reads "Allan L. Farrow". The signature is written in a cursive, flowing style.

ALLAN L. FARROW
President



Cliff Hissem, Ohio corn farmer, states: "After 18 years on the NA-CHURS Program, my soil is better today than when I started. NA-CHURS gives top yields, improved quality, and earlier maturity with no lifting at planting." His 1969 crop averaged 125 bu. per acre with 25% moisture at harvest.



Indiana's Gerald Tarnow gets championship results with NA-CHURS. For the past four years he has consistently won state, regional and national honors in soybean growing competition. In 1968 he recorded an outstanding 103.84 bu. per acre on a five-acre contest plot using NA-CHURS 2-20-18.

NA-CHURS *Customers Show Increase*



Proper sprayer timing with high pressure during foliar feeding is important for high yields on the Oga Bros. farm in Alberta, Canada. Five-year NA-CHURS customers, they repeatedly show increased tonnage of high-quality potatoes and sugar beets using the NA-CHURS Program.



"On trees sprayed with NA-CHURS, I picked a third more U.S. Extra No. 1 peaches than I had ever picked before, with less culls at packing," says South Carolina's John Raymond Seay who used NA-CHURS 5-15-15 two weeks before harvest. NA-CHURS makes a difference.



NA-CHURS-grown wheat on Glen-Allan Farms, owned and operated by Allan L. Farrow & sons, Marion, Ohio, had an average increase of more than 24 bushels per acre by using NA-CHURS in the row at planting time. It's profit after costs that count.



174.2 Bushels per acre of dry shelled corn is the yield that Paul Piehl received on his Ottawa Lake farm this year. NA-CHURS has helped Paul Piehl become a top Michigan farmer and one of the tops in the nation! Paul is another outstanding example of how NA-CHURS is bringing more farmers more profit after cost!

asing Success Year after Year



Apples sprayed with NA-CHURS increased in size, number, and quality on the Robinson apple orchard, Kingsville, Ontario, Canada. It's another example how NA-CHURS brings more profit after cost.



Al and Terry Blauwkamp, Michigan celery growers, harvest their crop grown under a NA-CHURS recommended program in a muck-type soil. The yield for the foliage-fed acreage produced the largest, top-quality "hearts" Blauwkamp had ever experienced. Both are convinced of NA-CHURS high nutritional value.

Consolidated Balance Sheet

SEPTEMBER 30, 1969

(with comparative amounts at September 30, 1968)

ASSETS

		<u>1969</u>	<u>1968</u>
Current:			
Cash		\$ 210,117	\$ 198,400
Accounts receivable (less allowance for doubtful accounts 1969 — \$265,980; 1968 — \$197,000)		3,458,872	2,399,492
Inventories — at the lower of cost or net realizable value —			
Finished product	876,544		645,744
Raw materials and supplies	<u>143,706</u>		<u>230,658</u>
		1,020,250	876,402
Prepaid expenses and sundry assets		<u>112,183</u>	<u>62,128</u>
		4,801,422	3,536,422
Fixed — at cost:			
Land		34,405	34,405
Buildings and roadways		254,850	229,883
Machinery, equipment and storage tanks		1,348,267	937,102
Furniture and fixtures		75,835	62,817
Automotive equipment		<u>24,878</u>	<u>19,402</u>
		1,738,235	1,283,609
Less accumulated depreciation		<u>567,146</u>	<u>365,998</u>
		1,171,089	917,611
Excess of cost of shares of subsidiary companies over book value of net assets at date of acquisition — note 1			<u>7,422</u>
On behalf of the Board			
Director	Allan L. Farrow		
Director	Byron W. Edney		
		<u>\$5,972,511</u>	<u>\$4,461,455</u>

The attached "Notes to the Consolidated Financial S

NA-CHURS INTERNATIONAL LIMITED

(Incorporated under the laws of Ontario)
and its subsidiary companies

LIABILITIES

	<u>1969</u>	<u>1968</u>
Current:		
Due to bankers (against which certain accounts receivable and inventories have been pledged as security)	\$ 944,250	\$ 870,625
Accounts payable and accrued charges	744,333	416,974
Commissions and bonuses payable	764,126	650,932
Taxes payable	320,457	197,460
Dividends payable	10,630	10,630
Long-term debt instalments due within one year	143,942	8,942
	<u>2,927,738</u>	<u>2,155,563</u>
Long-term debt — note 2	457,243	61,945
Minority interest in subsidiary companies — note 1		386
Shareholders' equity:		
Capital —		
Authorized:		
17,716 18/100 6% cumulative Class "A" preference shares of \$10 par value each redeemable at \$11 per share	177,162	
	<u>177,162</u>	
200,109 6% non-cumulative non-voting Class "B" preference shares of 45¢ par value each redeemable at par	90,049	
	<u>90,049</u>	
1,000,000 common shares of no par value Issued and fully paid — note 3:		
17,716 18/100 Class "A" preference shares	177,162	177,162
200,109 Class "B" preference shares	90,049	90,049
502,408 common shares	995,340	995,340
	<u>1,262,551</u>	<u>1,262,551</u>
	<u>1,324,979</u>	<u>981,010</u>
	<u>2,587,530</u>	<u>2,243,561</u>
Consolidated retained earnings	<u>\$5,972,511</u>	<u>\$4,461,455</u>

ments" should be read together with this statement.



Earnings - Operations

NA-CHURS INTERNATIONAL LIMITED

and its subsidiary companies

STATEMENT OF CONSOLIDATED INCOME

YEAR ENDED SEPTEMBER 30, 1969

(with comparative amounts for 1968)

	<u>1969</u>	<u>1968</u>
Net sales	<u>\$8,334,759</u>	<u>\$7,897,223</u>
Income before depreciation, interest on long-term debt and taxes on income	<u>\$ 969,057</u>	<u>\$ 785,956</u>
Depreciation	208,623	118,542
Interest on long-term debt	<u>6,799</u>	<u>4,255</u>
	<u>215,422</u>	<u>122,797</u>
Income before taxes on income	753,635	663,159
Taxes on income	<u>392,000</u>	<u>313,500</u>
Income for year before minority interest	361,635	349,659
Minority interest in earnings of subsidiary companies — note 1		105
Consolidated net income for year	<u>\$ 361,635</u>	<u>\$ 349,554</u>
Earnings per common share	<u>\$.699</u>	<u>\$.675</u>

The attached "Notes to the Consolidated Financial Statements" should be read together with this statement.

NA-CHURS INTERNATIONAL LIMITED
and its subsidiary companies
STATEMENT OF CONSOLIDATED RETAINED EARNINGS
YEAR ENDED SEPTEMBER 30, 1969
(with comparative amounts for 1968)

	1969	1968
Balance, beginning of year	\$ 981,010	\$ 765,098
Add consolidated net income for year	361,635	349,554
	<u>1,342,645</u>	<u>1,114,652</u>
Deduct:		
Dividends on Class "A" preference shares	10,630	10,630
Write-off of excess of cost of shares of subsidiary companies over book value of net assets at date of acquisition less minority interest — note 1	7,036	
Stock dividend on common shares consisting of 200,109 Class "B" preference shares of 45¢ par value each		90,049
Expenses in connection with issue of common shares		32,963
	<u>17,666</u>	<u>133,642</u>
Balance, end of year	<u>\$1,324,979</u>	<u>\$ 981,010</u>

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS
YEAR ENDED SEPTEMBER 30, 1969
(with comparative amounts for 1968)

	1969	1968
Source of funds:		
Operations —		
Consisting of:		
Consolidated net income for year	\$ 361,635	\$ 349,554
Add depreciation (not an outlay of funds)	208,623	118,542
	<u>570,258</u>	<u>468,096</u>
Issue of common shares		990,700
Minority shareholders' interest in earnings of subsidiary company		105
Increase in long term debt	540,000	
	<u>1,100,258</u>	<u>1,458,901</u>
Application of funds:		
Purchase of fixed assets (net)	462,101	495,341
Dividends on Class "A" preference shares	10,630	10,630
Repayment and provision for repayment of long term debt	144,702	8,989
Purchase of minority shareholders' interest in a subsidiary company		72,708
Expense in connection with issue of common shares		32,963
	<u>617,433</u>	<u>620,631</u>
Increase in working capital	492,825	838,270
Working capital, beginning of year	1,380,859	542,589
Working capital, end of year	<u>\$1,873,684</u>	<u>\$1,380,859</u>

The attached "Notes to the Consolidated Financial Statements" should be read together with this statement.



Earnings - Operations

NA-CHURS INTERNATIONAL LIMITED and its subsidiary companies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 1969

1. Principles of consolidation. The attached Consolidated Financial Statements include the accounts of the Company and all of its subsidiary companies, namely Na-Churs Plant Food Company (Canada) Limited and The Berlou Company (Canada) Limited in Canada and Na-Churs Plant Food Company and The Berlou Manufacturing Company in the United States.

The attached Consolidated Financial Statements are stated in Canadian dollars. For this purpose, the financial statements of the United States subsidiaries have been translated from United States funds to Canadian funds at approximately \$1.00 U. S. equals \$1.08 Canadian.

The goodwill and minority interest is not material and has been written off to the consolidated retained earnings.

2. Long-term debt. Particulars of long-term debt as at September 30, 1969 and 1968 are as follows:

Mortgages:

	1969	1968
5% mortgage repayable \$500 per annum due January, 1972	\$ 1,556	\$ 2,075
6% mortgage repayable \$350 per annum due December, 1975	2,356	2,597
5½% mortgage repayable \$8,942 per annum due January, 1976	57,273	66,215
9½% deferred bank loan repayable \$135,000 per annum due September 25, 1973	540,000	
	<u>601,185</u>	<u>70,887</u>
Instalments due within one year included in current liabilities	143,942	8,942
	<u>\$457,243</u>	<u>\$61,945</u>

Payments required in future years are as follows:

1970	\$143,942
1971	143,942
1972	143,942
1973	143,942
1974	8,942
Beyond	16,475
	<u>\$601,185</u>

Na-Churs Plant Food Company, a subsidiary of the company has pledged certain fixed assets as security for the 9½% deferred bank loan and is subject to the following restrictions:

1. The subsidiary company is required to maintain a net working capital position of not less than \$1,000,000 (U. S. funds).
2. The subsidiary company will not make any distribution of assets to shareholders or pay cash dividends in excess of \$15,000 (U. S. funds) in any fiscal year and then only from earnings during such year.

3. Capital stock. During the year, the company adopted a stock option plan for executives and key employees of the company and its subsidiaries. Under the terms of the plan, the company may grant options, not exceeding 5,000 shares per person on the authorized but unissued common shares of no par value up to but not exceeding

25,000 shares in the aggregate. As at September 30, 1969, the company has not granted any options, however, there are reserved 25,000 common shares under its stock option plan.

4. Remuneration of directors and senior officers. The aggregate direct remuneration paid or payable by the company and its subsidiary companies to its directors and senior officers during the year ended September 30, 1969 amounted to \$174,926, including \$86,659 payable as bonuses based on profits (\$166,475 in 1968 including \$82,551 of such bonuses).

5. Contingent liabilities. As at September 30, 1969, Na-Churs Plant Food Company (Canada) Limited is the defendant in an action filed against it for alleged damages (commenced in 1964), the aggregate of which has been estimated at not in excess of \$35,000. In the opinion of the company's solicitors, the cost to the company of final disposition of this action, if any, will be small. Na-Churs International Limited and Na-Churs Plant Food Company (Canada) Limited are the defendants in actions filed against them by two former employees for alleged wrongful dismissal of approximately \$105,000. In the opinion of management, the cost to the Company on final disposition of these actions will not be material. Na-Churs Plant Food Company is the defendant in three separate actions filed against it approximating in the aggregate \$110,000. In the opinion of counsel for the company, the cost on final disposition of these actions, if any, will not be material.

AUDITORS' REPORT

To the Shareholders of
Na-Churs International Limited.

We have examined the consolidated balance sheet of Na-Churs International Limited and its subsidiary companies as at September 30, 1969 and the statements of consolidated income, consolidated retained earnings and consolidated source and application of funds for the year then ended. Our examination of the financial statements of the company and its Canadian subsidiaries, of which we are the auditors, included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors of the United States subsidiaries who have examined the financial statements of those companies.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

London, Canada.
December 15, 1969.

Chartered Accountants.

NA-CHURS *Growth Story*

STATEMENTS OF CONSOLIDATED EARNINGS FROM 1965 TO 1969

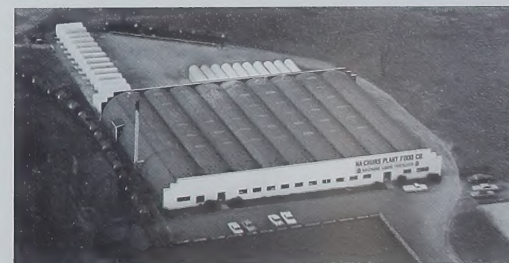
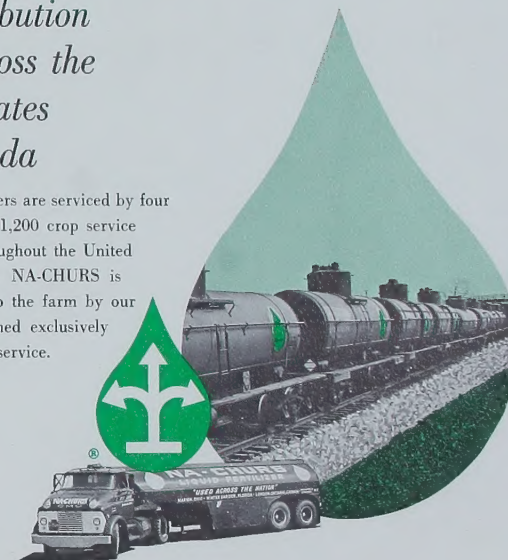
	Years ended September 30,				
	1969	1968	1967	1966	1965
Sales	<u>\$8,334,759</u>	<u>\$7,897,223</u>	<u>\$7,146,835</u>	<u>\$4,564,812</u>	<u>\$2,937,330</u>
Consolidated earnings before depreciation, interest on long-term debt and taxes on income	<u>969,057</u>	<u>785,956</u>	<u>759,745</u>	<u>388,392</u>	<u>265,725</u>
Depreciation	208,623	118,542	45,683	41,894	22,274
Interest on long-term debt	6,799	4,255	5,158	3,502	866
	<u>215,422</u>	<u>122,797</u>	<u>50,841</u>	<u>45,396</u>	<u>23,140</u>
Consolidated earnings before taxes on income	753,635	663,159	708,904	342,996	242,585
Taxes on income	<u>392,000</u>	<u>313,500</u>	<u>325,048</u>	<u>142,169</u>	<u>97,992</u>
Consolidated earnings before minority interest	361,635	349,659	383,856	200,827	144,593
Minority interest in earnings of subsidiary companies	-0-	105	15,900	8,627	3,367
Consolidated net earnings	<u>361,635</u>	<u>349,554</u>	<u>*367,956</u>	<u>*192,200</u>	<u>*141,226</u>

*Consolidated earnings adjusted for no provision for withholding tax for 1967 — \$38,952, 1966 — \$21,831, 1965 — \$11,008. These years have been restated to be comparable to 1968 and 1969.

SERVICE

*100 distribution
points across the
United States
and Canada*

NA-CHURS customers are serviced by four modern plants and 1,200 crop service representatives throughout the United States and Canada. NA-CHURS is delivered directly to the farm by our truck fleet maintained exclusively for better personal service.



Na-Churs International Limited through its subsidiaries in Canada and the United States is the oldest and the largest manufacturer and retailer of its kind, devoted entirely to manufacturing and marketing of liquid fertilizer.

Directors

A. L. FARROW

President

Na-Churs International Limited

Director

DR. D. M. McKEE

Vice-President

Na-Churs International Limited

Director

B. W. EDNEY

Vice-President

Na-Churs Plant Food Company Limited

Director

W. J. EVANS

President

S. F. Laurason & Company Limited

Director

R. L. BROWN

Director-V.P. of A.E. Ames & Co. Ltd.

Director

D. E. FOYSTON

Director of A.E. Ames & Co. Ltd.

Director

J. D. DONITHEN

President

Marion County Bank

Marion, Ohio

Director

E. J. ORENDORFF

Secretary-Treasurer

Na-Churs International Limited

HEAD OFFICE

Oakridge Park, London, Ontario, Canada

AUDITORS

Clarkson, Gordon and Company

STOCK EXCHANGE

Toronto Stock Exchange

TRANSFER AGENT AND REGISTRAR

The Canada Trust Company, Toronto,

Winnipeg, Vancouver

NA-CHURS INTERNATIONAL LIMITED

Na-Churs Drive, Oakridge Park, London, Ontario, Canada